Philippines: Inflation hits 14 year high as food inflation spikes

Philippine inflation hits its highest level since 2008

Increases in food prices are slowing in the Philippines

8.0% YoY

November CPI inflation

fastest since 2008

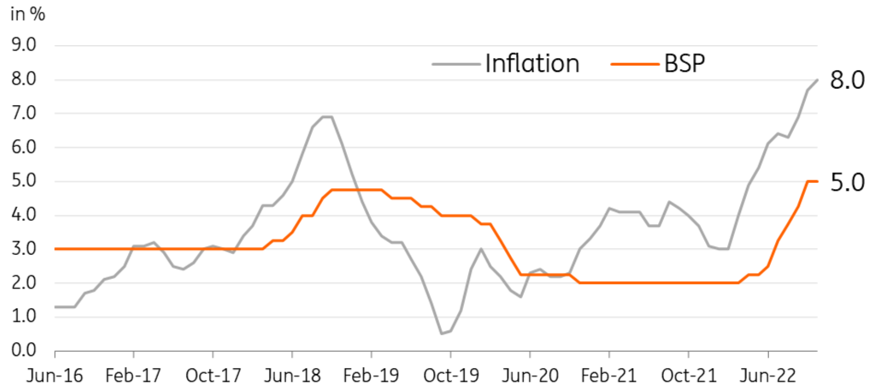
Higher than expected

November inflation sizzles at 8%

Philippine headline inflation rose to 8% YoY from 7.7% in the previous month. The pickup in prices was traced to the 10% acceleration in food and beverage costs. Supply disruptions caused by two deadly storms pushed up vegetable prices. Meanwhile, both utilities and transport costs posted slightly slower price increases, tracking the moderation in global energy prices.

Inflation was also driven by strong demand side pressures with items related to so-called revenge spending reporting faster inflation. Restaurants & hotels (6.5% YoY from 5.7%) and personal care (4.2% YoY from 3.7%) the 5th straight month of accelerating inflation and with domestic demand resurgent, we could see this trend continuing into 2023.

Inflation hits highest level in 14 years



Source: Philippine Statistics Authority

BSP likely staying hawkish

The Bangko Sentral ng Pilipinas (BSP) will likely retain its hawkish tilt despite some recent commentary suggesting a possible pause by 1Q2023. Demand side pressures remain evident after items related to "revenge spending" experienced quicker inflation. Thus we expect BSP to carry out a 50bp increase at their meeting next week.

Governor Medalla indicated his preference to maintain a 100bp differential with the Fed and we see him matching any move by the FOMC through to early next year. By 2Q, if inflation moderates and the PHP stabilizes, Governor Medalla has expressed openness to pause the current rate hike cycle but we believe BSP's rate decisions will be dictated by Fed decisions.

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com